



Homelessness Drops But Concerns Remain

Homeless count in Michigan shows a 7.7% drop in homelessness

Michigan's homeless population fell nearly 8%, among the largest on-year declines of all states. The change likely is a result of Michigan's continued and expanded use of coordinated efforts by state and local partners, the ongoing commitment to utilized a rapid re-housing model instead of the historically utilize gradual transitioning of homeless into transitional or temporary shelters, and the expanding economy.

8,531 homeless individuals were counted this year. Of those, the majority (7,452) were in shelters or transitional housing. The number of veterans fell from 2017 by 10.3% and homeless families with children fell by 9%. Since 2010 homelessness in Michigan has fallen by more than 36%. The most recent count also showed that the number of long-term or chronic homeless people increased by 11.2%, an indicator that funding cuts to services may be taking their toll. The 11.2% increase follows a 20% decline the previous year.

Nationally the number of homeless people remained largely unchanged, with a slight increase of 0.3%, with half the homeless people living in just five states (California, New York, Florida, Texas, and Washington). Since 2010, the national number of homeless people, including those in shelters and those living on the streets, has declined from 632,077 to 552,830. Nationally, home-

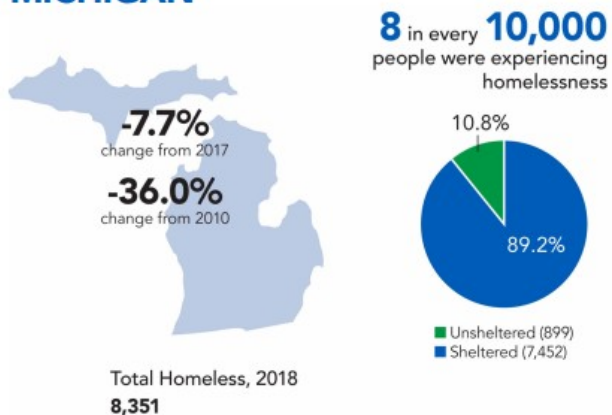
lessness among veterans fell from last year by 5.4% and among families with children by 2.7%.

Despite the progress, areas of concern remain. Some areas include: student homelessness, rent overburden, and disabilities. A recent report by the [University of Michigan](#) showed that more than 36,000 children in Michigan Public Schools are facing homelessness or housing insecurity. The districts with the highest number of homeless students are mostly urban and include: Kalamazoo (904), Lansing (644), Grand Rapids (632), Detroit (605), and Traverse City (484). Conversely, those districts with the highest percentage of homeless students were mostly rural and include: Baldwin (25.5%), Marion (19%), Watersmeet (28.9%), Hart (17.8%), and White Cloud (17.8%).

The statewide [Homeless Management System](#) (HMIS) shows a significant rent overburden for homeless in Michigan, with the average monthly income for the homeless at \$649 per month while the 2017 Census Bureau shows median rent in Michigan is \$835 per month.

The top three disabilities affecting Michigan's homeless population include mental health (66%), physical health (39%), and substance disorders (29%). These individuals require supportive services in addition to rapid re-housing.

MICHIGAN



Source: 2018 HUD Housing Assessment Report

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Opportunity Zones

A New Tool for Housing



The 2017 Tax Cuts and Jobs Act includes a new community development tool aimed at spurring investment in economically distressed and low-income census tracts nominated by the individual states and certified by the IRS, known as [Opportunity Zones](#) (“OZs”). There are currently 8,761 census tracts, with roughly 35 million residents, identified as OZs. The OZs are an economic development tool designed to spur economic development, affordable housing, and job creation. In addition to the tax benefits created by the OZs, President Trump has signed an [executive order](#) to push more federal resources into OZs and created the White House Opportunity and Revitalization Council chaired by HUD Secretary Ben Carson. This Council includes representation from 13 Federal agencies.

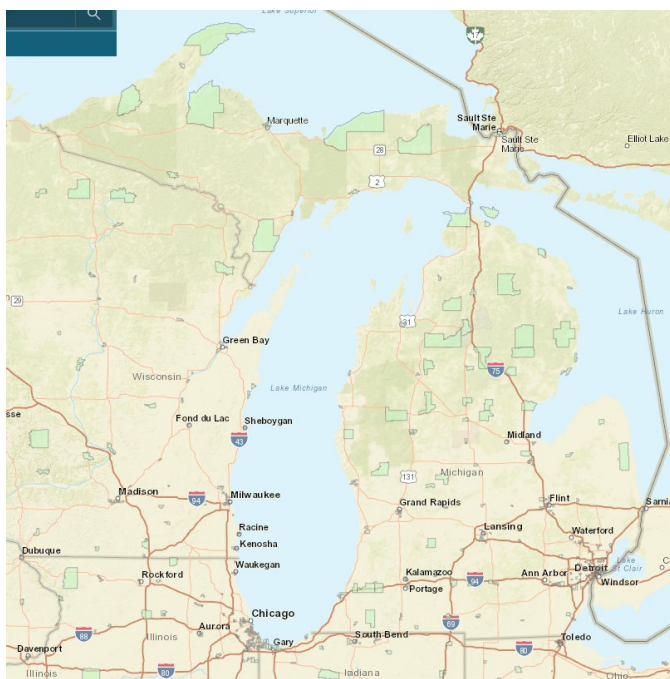
Investors are able to defer tax on any prior gains invested in a Qualified Opportunity Fund (“QOF”) until the date on which the investment in a QOF is sold or exchanged, or December 31, 2016, whichever is earlier. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain, if held for more than 7 years, the 10% becomes 15%. Second if the investor holds the investment in the QOF for at least 10 years, the investor is eligible for an increase in basis of the QOF investment equal to its

fair market value on the date the QOF investment is sold or exchanged. The National Council of State Housing Authorities has [a directory of QOFs](#)

QOFs can be targeted to different goals such as commercial real estate, community development/job creation, or infrastructure. This new tool has been met with high hopes and many in the affordable housing community are exploring how to turn an idea into a reality by utilizing this resource to benefit the community where they already work. States have developed [public/private partnerships or consortiums](#) and [cities have begun to market](#) their OZs to champion the transformation of these hardest hit neighborhoods.

Local community foundations are uniquely positioned to help influence and align stakeholders. They have a deep understanding of community needs, strong connections to local officials and business leaders, and access to philanthropic funds. To do this community foundations need to know the OZs in their communities, how the OZs integrate into other statewide community initiatives (such as [Rising Tide](#)), be able to identify the critical needs within those OZs and advocate for the investment to address those needs. Local communities must also be willing to [drive donor interest into QOFs](#).

HUD has put [together a map](#) identifying OZs and layering its Public Housing Buildings, Multifamily Projects, HUD Insured Healthcare Properties, Housing Choice Voucher population by census tract, Low-income Housing Tax Credit Properties, USDA RD Developments and Promise Zones. This map should help local communities and other interested parties identi-



OZ FUND INVESTMENT BY SECTOR



Commercial real estate = commercial real estate + hospitality + mixed-use + multifamily residential + student housing
Community development = affordable housing + community revitalization + workforce housing
Economic development = economic development + small-business development
Infrastructure = infrastructure investment + renewable-energy investment

Source: National Council of State Housing Agencies Opportunity Zone Fund Directory, Jan. 4, 2019. Based on 63 Qualified Opportunity Funds; some funds target multiple investment sectors.

OZs-First Look

5 Ways to Use QOFs in LIHTC Deals



Summarized from an article by Kathie Soroka and Forrest Milder

- Originally published in *Affordable Housing Finance* on February 7, 2019

Wondering if a low-income housing tax credit (LIHTC) transaction can benefit from Opportunity Zone (OZ) funds, but overwhelmed by the breadth of information and don't know where to start? Here's a quick cheat sheet on the kinds of deals that might work or how to structure your transaction to take advantage of OZs. Remember, every deal is unique and tax law is complicated. This summary is only meant to give a high-level view of how OZs and LIHTCs might work together and is not definitive guidance from either the IRS or HUD.

If you'd like a refresher on OZs, check out this overview, "[A first look at the IRS's proposed regulations on Opportunity Zones](#)," or review the [IRS' FAQs on Opportunity Zones](#). The Treasury Department recently released proposed regulations (see: [The 10/29/18 Federal Register Notice publishing the regulations](#)), and a lot of great analysis has been done to try to dissect and understand them. Also, you can check if your property is in an OZ using one of the various resources compiled on the [Treasury's CDFI Fund webpage](#).

Here are the top 5 ways to potentially use funds from a Qualified Opportunity Fund (QOF) in a LIHTC transaction:

1. LIHTC Investor Fund = Qualified Opportunity Fund:

This method would be to qualify the LIHTC Investor Fund as a QOF (as opposed to looking for a separate QOF to invest). This allows the investor fund to maintain a favorable ownership interest throughout the life of the deal, and with LIHTC's 10-year credit period, creates an additional incentive for OZ investment to remain past the 10-year period.

2. **Get the Right LIHTC Investor:** Target the right investor. A lot of LIHTC investors are banks motivated by the Community Reinvestment Act ([though some OZ investments may be CRA eligible](#)). QOFs

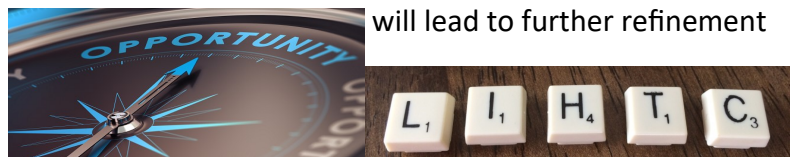
invest capital gains. Banks don't often have capital gains. Potential investors may be large corporate investors or "[family offices](#)" - wealthy families that have taken their money management in-house.

3. Start Small and Use a Single Investor...or as Few As Possible:

Because the guidance has not had a chance to solidify (the IRS is still holding hearings—the most recent was February 14, 2019) and before tax professionals have had a chance to weigh in, it may be best to start with the relative simplicity of a single investor.

4. **Start with a New Construction Project:** LIHTC can be used for new construction or substantial rehabilitation. To get the OZ benefits, the QOF's initial investment must be matched by the projects appreciation during the 30-month period after acquisition. That can be tough in traditional acquisition-rehab LIHTC transactions because those are traditionally structured to maximize acquisition price to maximize LIHTC calculation, which makes it harder to meet the OZ 30 month rehab requirements. Plus, both LIHTC and OZ rules require acquisition from an unrelated party, the threshold for LIHTC is 50%, while it is 20% for OZs. The more straightforward approach on OZs is with new construction where there are fewer acquisition issues and it is almost guaranteed that the 30-month rule will be met.

5. **Keep Expectation Low...For Now:** There is a lot of talk about the potential of OZs. They created a whole new vehicle for investment. It will likely take some time for investors to become comfortable with the risks and rewards and the tools and structures to standardize OZ and QOF investment. While the first couple OZ/LIHTC deals may have modest returns they will lead to further refinement





CDC and HUD Work to Implement HUD's Smoke-Free Public Housing Requirement

The Centers of Disease Control and Prevention (CDC) has been working closely with the U.S. Department of Housing and Urban Development (HUD) and other partners to support the implementation of [HUD's smoke-free requirement](#). HUD's smoke-free rule impacts more than 1.8 million residents, including more than 500,000 units occupied by elderly residents and nearly 680,000 children.

The policy will reduce exposure to second-hand smoke which contains more than 7,000 chemicals, many of which are known to cause cancer. Exposure to second-hand smoke causes disease and premature death among non-smokers and can cause numerous health problems in infants and children including: sudden infant death syndrome, more frequent and more severe asthma attacks, respiratory infections, and ear infections. Because of this, the CDC will continue to support HUD and the Public Housing Authorities as residents, staff, and visitors to have smoke-free environments.

The HUD Smoke-Free Policy Improves Health, Saves Lives, and Saves Money: Being smoke-free improves the health of all residents and staff; reducing smoking among those who use cigarettes, encouraging more smokers to quit, and eliminating secondhand smoke (a known health hazard for non-smokers). CDC hopes to increase the health benefit of the new requirement by working together to help smokers who live and work in public housing go smoke-free. In addition, to the cost benefits of this new policy cannot be overstated. A [CDC Study](#) revealed that prohibiting smoking in public housing alone can yield an estimated cost savings of more than \$150 million a year.

Promoting Quitting and Giving Smokers Resources to Quit Successfully Can Help With the Smoke-Free Requirement. Helping residents and staff quit smok-

ing reduces possible compliance issues. Offering support to smokers who want to quit helps ease resident concern and resistance.

State and Local Health Departments Can Also Help Smoke-Free Efforts: If not already in place, HUD and the CDC strongly encourages collaboration with State and Local Health Departments. Resources are available through the [Tobacco Control Network State Directory](#) or through the [National Association of County and City Health Officials Directory of Local Health Departments](#).

[HUD](#), the [CDC](#), and the [Michigan Department of Health and Human Services](#) provide and update free resources for housing authorities as well as [resources to help residents quit](#). These resources are available online.

An important note on vaping and recreational or prescribed marijuana. Marijuana is illegal under Federal law and therefore is not allowed in public housing whether it is prescribed or used recreationally.

Vaping is treated the same as smoking by the [Food and Drug Administration](#), however HUD relies upon [24 C.F.R. § 965.653\(c\)](#) to define, at a minimum, the prohibited tobacco products. These include any and all items that involve ignition and burning of tobacco leaves, such as (but not limited to) cigarettes, cigars, pipes, and waterpipes (hookahs). Housing Authorities have the option to ban additional items, such as vape pens, as they see fit.

MICHIGAN TOBACCO QUITLINE

1.800

Quit.Now
784.8669

MEET UP and EAT UP™

Healthy food to fuel your summer.

Promoting Summer Meal sites in your community is one of the most important things you can do to ensure no child goes hungry over the summer. In 2018 Michigan sites served over 3.4 million meals at 1,785 sites, ensuring children had access to at least one healthy meal a day. Nearly 250,000 of those meals were served at or directly adjacent to HUD owned or financed properties.

This program will continue in 2019 and the more parents, children, and teenagers know about where sites are located, the more children will come to eat. The Michigan Department of Education has a [site locator](#) for its Summer Food Service Program. Anyone can do outreach using the resources available through the [USDA](#) or through the [Michigan Department of Education](#).



Sites are places in the community where children receive meals in a safe and supervised environment. Sites may be located in a variety of settings, including schools, parks, community centers, health clinics, hospitals, apartment complexes, churches, and migrant centers. Sites work directly with sponsors.



If you are interested in participating in the program as a sponsor or site contact MDE (517-241-5374 or mde-sfsp@michigan.gov).

MDE will help to see if the proposed location is within an eligible area that can serve summer meals.

The MDE will also provide promotional materials and fliers with information on the program to be distributed throughout the community.

HOW TO PARTICIPATE IN SUMMER MEALS

There are two main players involved in the Meet Up and Eat Up program. Sponsors enter into agreements with the State agencies to run the program. Schools, local government agencies, camps, faith-based and other non-profit community organizations that have the ability to manage a food service program. Sponsors get reimbursed by the Program and may manage multiple sites.

Meals Served At or Near HUD Properties		
Type Property	Sites	Total Meals Served
LIHTC/CDBG	1	545
LIHTC/HOME	6	8,260
LIHTC/HOME/CDBG	15	22,485
Multifamily	55	96,482
Public Housing	74	121,429
Total Meals Served	151	249,201



HUD Michigan Field Office All Staff Winter Party

On December 12, 2018 the Michigan Field Office Social/Special Emphasis committee put together and held a All Staff Winter Party. Current employees and retirees were invited to wear an “ugly” sweater while enjoying Red Smoke BBQ and great company! Several individuals were also awarded superlative awards based on their individual and unique traits. Great fun was had by all!



Social/Special Emphasis Committee

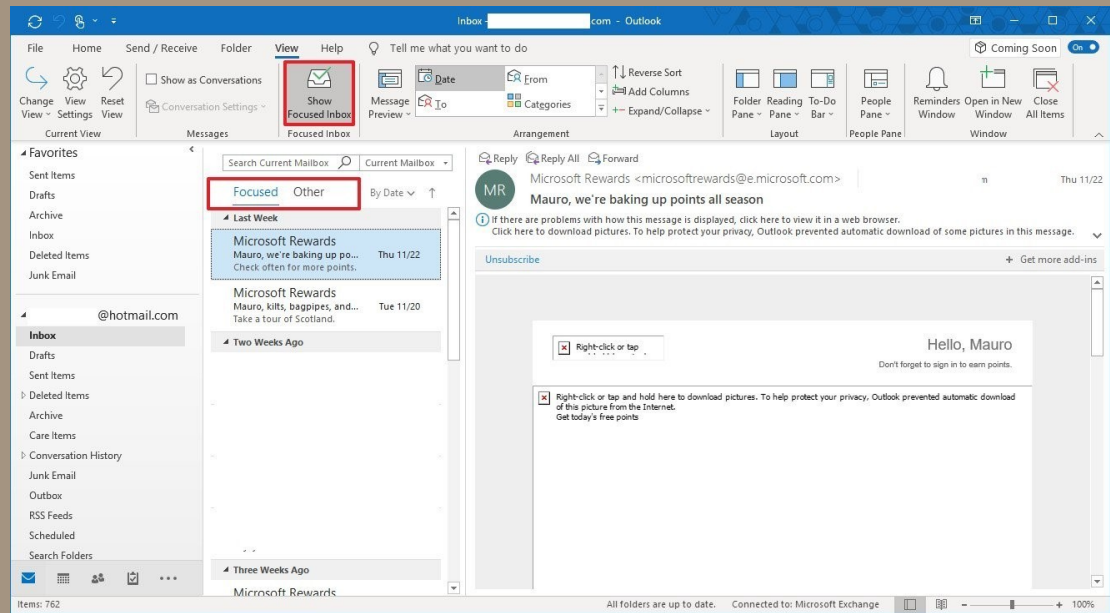
HUD IT Tip: Get the Most From Focused Inbox

In July 2016 Microsoft announced that Focused Inbox, a new feature in Outlook that helps cut through the noise of email to focus on what matters most. Focused Inbox utilizes machine learning to control the overflow of emails by analyzing incoming messages and placing the most important emails in the “Focused” tab, while the rest go to the “Other” tab. This development is the resulting evolution and refining of Clutter.

What ends up in your Focused Inbox is determined by an understanding of the people you interact with often, and the content of the email itself. If you need to fine tune your Focused inbox, just use the “Move to Focused” or “Move to Other” options. The more you use Focused Inbox the more accurate and efficient it becomes.

With Focused Inbox now available, Clutter will be retired on January 31, 2020. To prepare for Clutter’s eventual retirement it has

been turned off by default for new users. It is also deactivated for those with extremely low usage. For information on how to activate or manage your Focused Inbox please [go here](#).



Marijuana in Michigan

On November 6, 2018, Michigan voters approved Proposal 1, creating the [Michigan Regulation and Taxation of Marihuana Act](#) (MRTMA). Among other things, this Act delegates responsibility for state-level marijuana licensing, regulation, and enforcement to the Michigan Department of Regulatory Affairs (LARA). LARA’s Bureau of Marijuana Regulation (BMR) is responsible for the oversight of medical and adult-use marijuana in Michigan.

HOWEVER, marijuana is still illegal under Federal law. It is regulated through the Controlled Substances Act and is treated like every other controlled substance, such as cocaine and heroin. Because of the vast marijuana law differences between the Federal and state—and even state to state—governments it is important to keep in mind:

- ⇒ GSA Rules and Regulations Governing Conduct on Federal Property (McNamara Building): Per 41 C.F.R. § 102-74.400, except for cases where the drug is being prescribed for a patient by a licensed physician, all persons entering in or on Federal property are prohibited from being under the influence, using or possessing any narcotic drugs, hallucinogens, marijuana, barbiturates, or amphetamines.
- ⇒ [Public Housing/Housing Choice Vouchers](#): Federal law preempts state laws, therefore PHAs must establish standards and lease provisions for new tenants that prohibit admission into the PH and HCV programs based on the illegal use of controlled substances. For questions about current tenants contact your PHA.

Detroit Federal Executive Board

FEB Leadership Series Graduation: December 12, 2018

The Detroit Executive Board held a Leadership Series throughout 2018. The series included the following sessions: Balancing Management vs. Leadership Skills, Leading and Managing Change, Critical Conversations, Leadership from a Legal Perspective, Mentoring and Coaching, and Leading Organizational Cultures.

43 individuals graduated from the program from 12 different agencies. Agencies represented at the graduation included U.S. District Court, Department of Housing and Urban Development, GSA, Federal Protective Service, Department of State, TSA, IRS, VA, Defense Contract Management Agency, and Customs and Border Protection



HUD Graduates: From Left to Right holding diplomas: Mark Sorbo (Program Manager-CPD), Nefertari Kirkman-Bey (EO Specialist-FHEO), Larry Alcantar (EO Specialist-FHEO), Alicia Brown (Branch Chief-Asset Management), Cynthia Vails (Financial Analyst-CPD), Daniel Huyck (Management Analyst-FPM), Tamika Littles (CPD Representative-CPD), Michelle Rhodes (FEB Executive Director)

Not Pictured: Amanda Shaughnessy (Chief Counsel-OGC), Susie Sapilewski (Branch Chief-Asset Management), Mary Mathis (Branch Chief-Asset Management)

final thoughts...

HUD Notices Published During the Last Quarter

PUBLIC HOUSING:

- PIH 2019-02 (HA), [Standardization of REAC Inspection Notification Timelines](#), Feb. 22, 2019
- PIH 2019-01, [Funding Availability for Set-Aside Tenant Protection Vouchers](#), Feb. 15, 2019

MULTIFAMILY HOUSING NOTICES:

- H 2019-04, [Standardization of REAC Inspection Notification Timelines](#), Feb. 22, 2019
- H 2019-03, [§221\(d\)\(4\) and §220 New Construction and Substantial Rehabilitation Multifamily Projects with LIHTC Pilot Program](#), February 21, 2019
- H 2019-02, [Funding Availability for Set-Aside Tenant Protection Vouchers](#), Feb. 15, 2019
- H 2019-01, [Guidance for Foreign National Participation in FHA-Insured Multifamily Programs](#), February 15, 2019
- H 2018-11, [Rental Assistance Demonstration \(RAD\) - Supplemental Guidance 3.B](#) December 11, 2018

COMMUNITY PLANNING AND DEVELOPMENT NOTICES:

- CPD-19-02, [Low- and Moderate-Income Summary Data Updates](#), February 14, 2019
- CPD-19-01: [Guidance on Submitting Consolidated Plans and Annual Action Plans for FY19](#), February 13, 2019

SINGLE FAMILY NOTICES:

- FHA INFO #19-04, [Training Opportunities](#), March 1, 2019
- FHA INFO #19-03, [Implementation Date for EAD and Other Appraisal Related Updates; Training Opportunities](#), February 22, 2019
- FHA INFO #19-02, [Policy Guidance on Use of Third Party Verification Services \(ML 19-01\)](#), February 15, 2019
- FHA INFO #19-01, [Postponement of Electronic Appraisal Delivery \(EAD\) and Other Appraisal-Related Updates](#), January 29, 2019
- FHA INFO #18-52, [FHA Single Family Housing Operations and Systems Availability During Government Shutdown](#), December 26, 2018
- FHA INFO #18-50, [2019 Nationwide Forward Mortgage Loan Limits and 2019 Nationwide Home Equity Conversion Mortgage \(HECM\) Loan Limits](#), December 14, 2018
- FHA INFO #18-49, [Streamlining Warranty Requirements for FHA Single Family Mortgage Insurance: Removal of 10 Yr Protection Plan Requirements—Final Rule Published](#), Dec. 14, 2018
- FHA INFO #18-48, 18-51, [Training Opportunities](#), November 30, 2018
- FHA INFO #18-47, [Reminder - Changes to Appraisal Submission and Assessment for Home Equity Conversion Mortgage Originations - Full Automation](#), November 29, 2018

coming soon >>>

Key Dates/Events

- March 19—HUD Social Committee Pancake Breakfast
- April 25—Bring Your Child to Work Day
- Apr 29-May 1—Building Michigan Communities Conference
- May 27 — Memorial Day

HUD Quicklinks

- Connect with HUD on [Social Media](#) and follow Secretary Carson on [Twitter](#) and [Facebook](#)!
- Kresge Foundation released the 2018 Detroit Reinvestment Index: <https://kresge.org/dri2018/>
- Place-Based Updates for place-based grant opportunities and updates please contact Mr. Daniel Huyck at daniel.j.huyck@hud.gov
- HUD Press Releases are available online at https://www.hud.gov/press/press_releases_media_advisories

HUD Seek Public Comment!

Public Housing Call for Input

The Public is invited to comment on Public Housing Authority statutory changes made in the Economic Growth, Regulatory Relief, and Consumer Protection Act signed into law on May 24, 2018. HUD is soliciting comments relating to: 1) small PHAs operating 550 or fewer combined units that predominately operate in a rural area, 2) informational systems for PH consortia, and 3) to make shared waiting list software available for voluntary use by multiple PHAs. Additional areas for comment include a provision reducing the frequency of physical inspections at small PHAs to once every three years unless the small PHA is designated as troubled, in which case it must be re-inspected within a year and corrective steps that must be taken should a small PHA be designated as troubled. **Comments are due by April 15, 2019.** For information on specific comment areas or to make a comment please review the [Federal Register, Vol. 84, No. 31, Feb. 14, 2019, Page 4097](#).